Australian Banc Capital Securities Trust

Annual Report

August 31, 2014

Australian Banc Capital Securities Trust Message to Unitholders

November 28, 2014

Dear Investor,

We are pleased to provide you with the annual report for Australian Banc Capital Securities Trust (the "Fund") for the year ended August 31, 2014. The Fund had a good year providing investors with a tax advantaged total return of 10.7%.

The Fund was established to provide investors with high levels of tax-advantaged distributions through exposure, on a low cost basis, to capital securities issued by the "Big Four Australian banks", namely Australia and New Zealand Banking Group, Commonwealth Bank of Australia, National Australia Bank and Westpac Banking Corporation.

The Funds' investment objectives are to (i) provide Unitholders with quarterly, tax-advantaged distributions consisting primarily of returns of capital, and (ii) provide exposure to a portfolio consisting primarily of capital securities issued by the Big Four Australian Banks. Distributions were initially targeted to be $0.60 per annum per Unit consisting primarily of returns of capital, representing a yield on the Unit issue price of 6.0% per annum. On July 23, 2013, the Fund announced a change to its quarterly distribution rate. The quarterly distribution level decreased from $0.15 to $0.14 per Class A Unit and Class F Units respectively. The decrease was made as a result of the decreases in Australian short-term rates which lowered the interest earned on the floating rate portion of the portfolio. During the year, all quarterly distributions were made and the net asset value of Class A Units increased from $9.52 to $9.97 for a total return of 10.7%.

Australian Banc Capital Securities Trust is the fourth Fund established by the Manager that invests in capital securities, also commonly known as hybrid bonds or innovative tier 1 capital. They have all benefitted from the adoption of the Basel III Committee's recommendations by the regulators in the different countries. In general, the result of the changes is to lower the risk profile of financial institutions which is good for bondholders.

Please check our website for quarterly investment updates and other timely information. We appreciate your investment in the Fund and look forward to continued strong performance by the Fund.

Yours truly,

W. Neil Murdoch

W. Neil Murdoch
Chief Executive Officer
Aston Hill Capital Markets Inc.

Management Report of Fund Performance

This annual management report of fund performance for **Australian Banc Capital Securities Trust** (the "Fund") contains financial highlights but does not contain the complete annual financial statements of the Fund. **The annual financial statements and accompanying notes are attached to this report.**

You can obtain a copy of the annual financial statements at no cost by writing to Aston Hill Capital Markets Inc. (formerly "Connor, Clark & Lunn Capital Markets Inc.") (the "Manager") to the following address: Aston Hill Capital Markets Inc., 77 King Street West, Suite 2110, PO Box 92, Toronto, Ontario, M5K 1G8 or calling 1-800-513-3868 or visiting the Manager's website at www.astonhill.ca or by visiting www.sedar.com.

Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure.

Note that any reference to "Net Assets" or "Net Assets per Unit" or "GAAP Net Assets" means that the value was determined in accordance with the Canadian Generally Accepted Accounting Principles "GAAP" for financial statements purposes. Also, any reference to "Net Asset Value" or "Net Asset Value per Unit" or "Transactional NAV" means that the value was determined for valuation and transactional purposes in accordance with the Canadian Securities Administrators. An explanation of the difference between both values can be found in Note 3 to the financial statements.

Investment Objectives and Strategies

The Fund is an investment fund established under the laws of the Province of Ontario and governed by the Trust Agreement (the "Trust Agreement") between the Manager of the Fund and RBC Investor Services Trust (formerly "RBC Dexia Investor Services Trust") (the "Trustee") dated November 23, 2010. The Fund's principal office is located at 77 King Street West, Suite 2110, Toronto, Ontario, M5K 1G8. The fiscal year-end of the Fund is August 31.

The beneficial interest in the net assets and net income of the Fund is divided into units of two classes, Class A Units and Class F Units. The Class A Units are listed on the Toronto Stock Exchange (the "TSX") under the symbol AUZ.UN. The Class F Units are not listed on a stock exchange but may be converted into Class A Units on a weekly basis. The principal difference between the Class A Units and the Class F Units are that the agents' fees payable with respect to the original issuance of the units were lower for the Class F Units.

The Fund's investment objectives are to:

(i) provide Unitholders with quarterly, tax-advantaged distributions consisting primarily of returns of capital; and

(ii) provide exposure to a portfolio consisting primarily of Capital Securities issued by the Big Four Australian Banks (Australia and New Zealand Banking Group, Commonwealth Bank of Australia, National Australia Bank and Westpac Banking Corporation).

In order to achieve the Fund's investment objectives, the Fund obtained exposure, in a tax-efficient manner, to the performance of a portfolio (the "Portfolio") held by ACS Trust (the "Trust"). Aston Hill Capital Markets Inc. (the "Portfolio Manager"), the Trust's portfolio manager, manages the Portfolio. The Portfolio consists primarily of Capital Securities issued by the Big Four Australian Banks and Australian subsidiaries of global banks. The Fund may also invest in other income securities, such as subordinated debt and preferred shares, issued by Australian banks and Australian subsidiaries of international banks.

The Fund does not invest directly in the Trust; the Fund used the net proceeds of the initial public offering of its Class A and Class F Units to pre-pay its purchase obligations under a forward purchase and sale agreement (the "Forward Agreement") with the Bank of Montreal (the "Counterparty" or "BMO"). Under the Forward Agreement, the Fund will receive, on or before January 22, 2016, a specified portfolio consisting of securities of Canadian public issuers that are "Canadian securities" for the purposes of the Tax Act ("Canadian Securities") in an amount equal to the net asset value of the Trust. Partial settlements under the Forward Agreement are intended to ensure that Unitholders have economic exposure to the distributions effected by the Trust. A fee of up to 0.35% per annum, calculated with reference to the Net Asset Value of the Trust, is payable to BMO under the Forward Agreement.

On July 23, 2013, the Fund announced a change to its quarterly distribution rate. The quarterly distribution level decreased from $0.15 to $0.14 per Class A Unit and Class F Unit respectively.

Risk

Changes in the risk exposure of the Fund occurred in the following areas:

Use of leverage

The Fund's exposure to the securities in the Portfolio through the Forward Agreement may be increased to 20.0% of the levered notional amount (being the Net Asset Value of ACS Trust) for the purposes of adding leverage to the Portfolio and such other short-term funding purposes as may be determined by the Portfolio Manager from time to time and in accordance with the Investment Strategy. If the borrowed amount exceeds 20.0% of the levered notional amount, the leverage amount will be reduced to ensure the leverage ratio is not greater than 20.0%. The use of leverage has the potential to enhance or reduce returns.

During the year ended August 31, 2014, the Fund applied leverage in the range from 16.04% to 20.16% or U.S. $20,418,000 to U.S. $24,458,000. The Canadian equivalent is $21,742,093 to $27,518,931. (During the year ended August 31, 2013, the Fund applied leverage in the range from 17.51% to 20.15% or U.S. $24,458,000 to U.S. $31,208,000. The Canadian equivalent was $25,096,454 to $32,851,218.) The leverage factor as of August 31, 2014 was 20.00% and the borrowed balance was U.S. $20,418,000. The borrowed balance in Canadian dollars was $22,148,459 and the related interest expense was $247,722. (The leverage factor as of August 31, 2013 was 19.80% and the borrowed balance was U.S. $24,458,000 and the Canadian equivalent was $25,800,667. The related interest expense was $321,808.)

For full disclosure of risks associated with an investment in the Fund's units, please refer to the Prospectus dated November 29, 2010 or to the Fund's most recent Annual Information Form. Both are available at www.sedar.com.

Recent Developments

International Financial Reporting Standards (IFRS)

Beginning September 1, 2014, the Fund will prepare its semi-annual and annual financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and provide comparative statements on an IFRS basis, including an opening balance sheet as at September 1, 2014 (the transition date). The Fund will also report its interim financial statements for the period ending February 28, 2015, in accordance with IFRS.

The Manager has reviewed and developed its IFRS changeover plan that included performing an impact assessment and identifying differences between existing Canadian GAAP and IFRS. Management has monitored developments in IFRS and has assessed the likely impacts on accounting policies, implementation decisions, internal controls, information systems and training. Based on management's assessment to date, the more significant changes impacting the financial statements may be how the Fund measures the classification of net assets representing unitholders' equity. The Manager does not consider this to be comprehensive list of the accounting changes when the Fund adopts IFRS but in the view of the Manager represent the key differences. See Note 3 of the Financial Statements.

The Fund's outstanding redeemable unit entitlement includes a contractual obligation to deliver cash or another financial asset on the Fund's fixed termination date, and therefore the ongoing redemption feature is not the units only contractual obligation. The impact of the requirements of International Auditing Standards 32 - Financial Instruments Presentation is on classification only and does not impact net assets per unit. Management will continue to monitor the Fund's IFRS changeover plan to address the key elements of the IFRS conversion.

Federal Budget Announcement

On March 21, 2013, the Minister of Finance announced proposals in a federal budget that would treat the gain realized by a mutual fund under forward agreements such as the one entered into by the Fund as ordinary income rather than a capital gain, if the forward agreement was entered into or extended on or after March 21, 2013. On July 11, 2013, the Department of Finance announced proposed technical changes to the transitional rules related to character conversion transactions announced in the federal budget. One of the announced changes includes the extension of the transition period for short-term agreements. The extended grandfathered period allows investment funds, whose forward agreements were entered into prior to March 21, 2013 and the terms of which provide for settlement or are a part of series of agreements that provide for settlement prior to 2015, to extend their forward agreements until end of 2014. For longer-dated forward agreements, the grandfathering transitional period will not extend beyond March 21, 2018. Grandfathering is subject to certain growth rules with which the Fund intends to comply. The federal budget, part of Bill C-4, was enacted into law on December 12, 2013.

Results of Operations

Caution regarding forward-looking statements

The analysis in the document includes forward-looking statements. The use of any of the words anticipate, may, will, expect, estimate, should, believe and similar expressions are intended to identify forward-looking statements. Such statements reflect the opinion of the Portfolio Manager regarding factors that might be reasonably expected to affect the performance and the distributions on units of the Fund, and are based on information available at the time of writing. The Portfolio Manager believes that the expectations reflected in these forward-looking statements and in the analysis are reasonable but no assurance can be given that these expectations or the analysis will prove to be correct and accordingly, they should not be unduly relied on. These statements speak only as of the date of this report. Actual events and outcomes may differ materially from those described in these forward-looking statements or analysis.

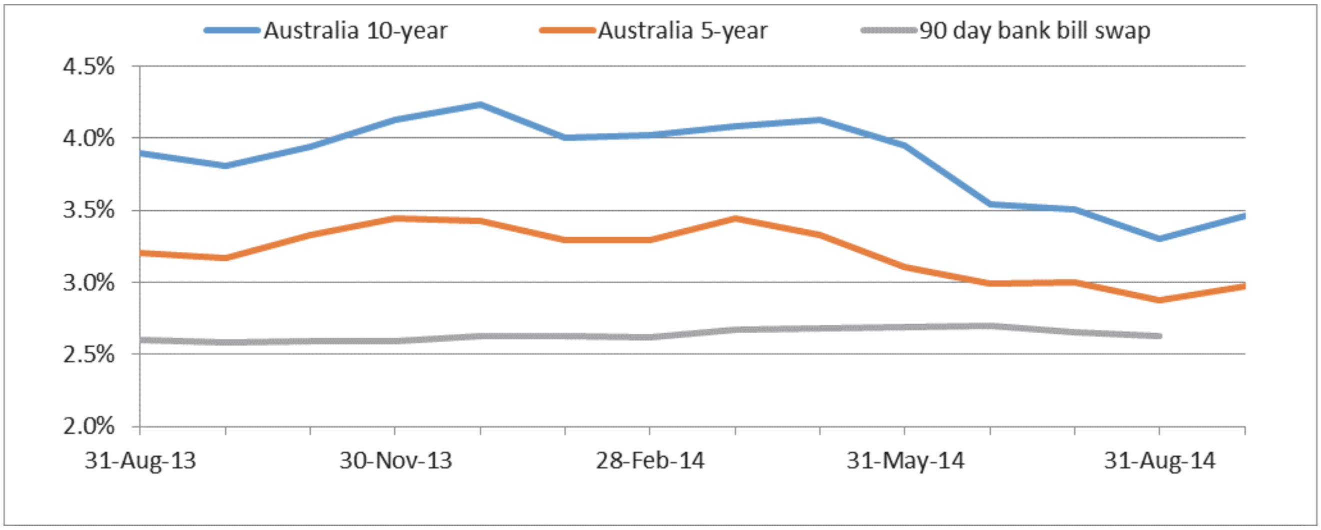
Manager's Commentary (November 2014)

Performance

The fund's Class A units returned 10.7% for the year to August 31st. Performance was boosted by rates, as both Australian and US Government bond yields declined during the year. Credit spreads also boosted performance as spreads for Australian banks' senior debt obligations came down gradually through the year, from 1.28% to 1.00%. The Aussie dollar strengthened by 7.5 cents against the loonie, ending the year at $1.02. NAV of the Class A units increased from $9.52 to $9.97, and the fund paid a regular quarterly distributions of $0.14 per unit, for a total of $0.56 on the year.

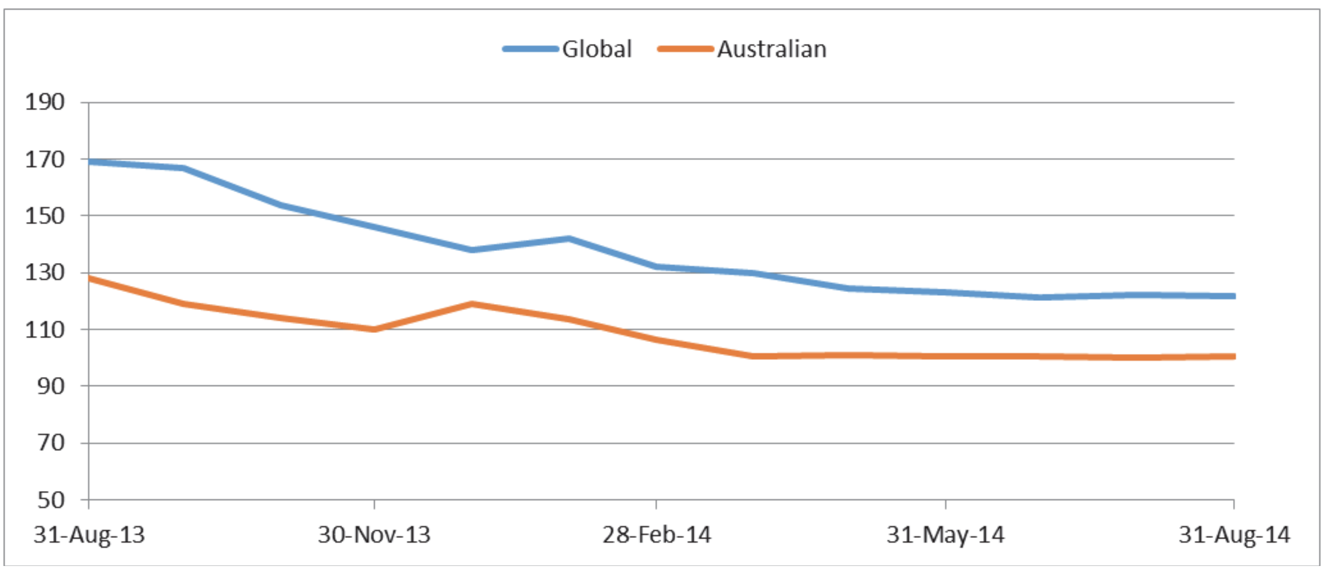
Key Drivers of Performance

Rates – Positive – With the end of the US Federal Reserve's QE3 asset purchases in sight and accelerating forecasts for global growth, most commentators in the fall of 2013 would not have called for government bonds to rally significantly in 2014. Factors including continued downward revision of economic growth forecasts globally, stagnation in continental Europe, an uncertain and prolonged US recovery, confidence in central bank resolve to hold rates down, lower expectations from the developing economies including China, and the escalation of regional conflicts contributed to a rally in government yields. The 10-year US Treasury yield went down 43 basis points over the year to August, to 2.35% and the Aussie 10-year was down 60 bps, to 3.30%. About 59% of the fund's portfolio is denominated in US dollars thus directly affected by US rates; the 26% of the portfolio in Australian dollar investments is chiefly held in floating rate notes, and so exposed to the 90-day inter-bank rate. Falling rates indicate an increase in the value of fixed income securities, but the impact is muted for the fund by the portfolio's short weighted average duration. With about 20% of assets in floating rate notes and all of the remaining securities with maturities under 5 years, the portfolio is not highly sensitive to rate changes.

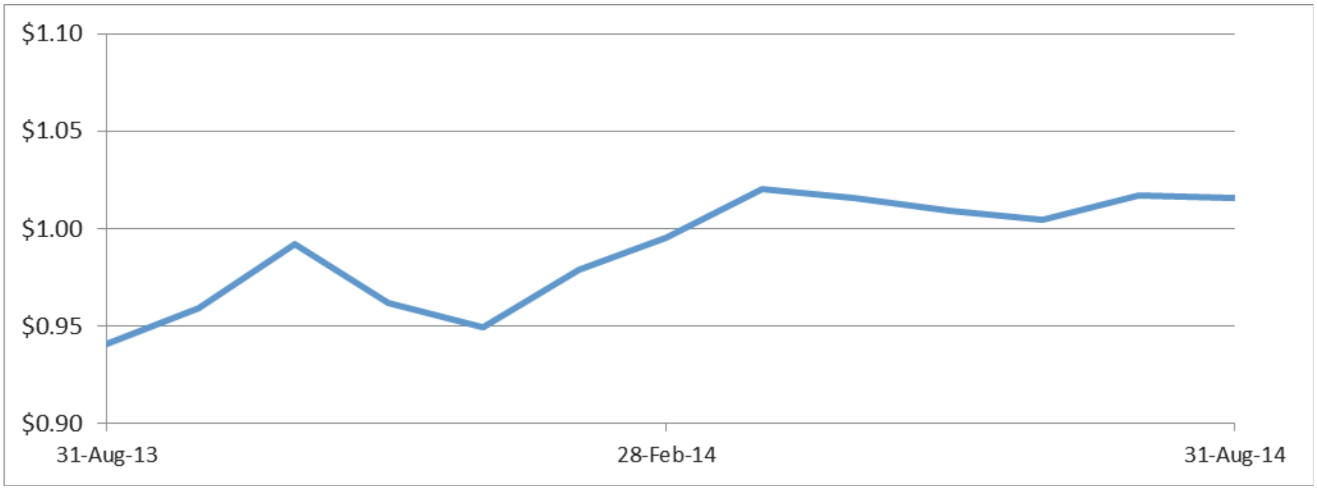


90-Day Bank Bill Swap Rate - Neutral - The BBSW is the rate at which Australian banks lend to each other, roughly the equivalent of LIBOR, and is the basis for Australian floating rate coupons. For instance, a typical coupon payment on a floating rate security might be the BBSW plus 1.50%. The BBSW is calculated from actual market transactions by the Australian Financial Markets Association. The rate held steady, climbing 3 basis points over the year, to 2.63%, near its historic low. Floating rate securities make up about 20% of the fund's portfolio.

Credit Spreads - Positive – The yield in excess of government securities of new long-term debt for Australian financial institutions declined from 128 basis points at the start of the period to a post-financial crisis low of 100 basis points by March 2014,where it has held since. Globally, financial institutions' credit spreads fell more steeply, coming in 48 basis points to an average spread of 121 bps. Credit spreads are the extra yield, or risk premium, investors demand in order to purchase corporate and other non-government bonds. The chart below compares average spread on debt of Australian financial institutions to the spread on the debt of global financial issuers.



Currency - Positive – The Aussie dollar gained 7.5 cents on the loonie over the year. The fund has full currency exposure to its Australian dollar holdings, about 24% of the total portfolio, while US Dollar and Pound Sterling investments are fully hedged.



Australian Banks

Australia's financial system continues to be anchored by the strong performance of her banks. The banks' capital ratios have increased steadily and profitability remains robust, aided by declines in charges for bad and doubtful debts. Improved wholesale funding conditions have decreased price competition for retail deposits, although spurring competition for some types of loans. The Australian Prudential Regulatory Authority has recently taken measures to promote stronger risk management by lenders, and there is more to come, especially for lending to investors. With the country's role as G20 chair this year, Australia's policy makers have been motivated to focus on four core areas of financial system reform: i) system resilience and the implementation of Basel III; ii) the "too-big-to-fail" issue; iii) oversight and regulation of shadow banking; and, iv) the derivatives market.

Asset performance for the big four has continued its steady improvement. The banks' ratio of non-performing assets to total loans stood at 1.1% at June 30th, compared to its peak of 1.9% in mid-2010. The reduction in impaired assets has been concentrated in business loans and especially commercial property loans, and the sharp recovery in the commercial property market in the first half of 2014 induced another sharp fall in impaired loans. Further improvement in asset performance will depend on other industries. The risk profile of business loans has benefitted from tighter lending standards implemented since 2008-2009. Household loan performance has been steady of late, aided by the tailwind of a strong housing market.

Lending growth has been good to date in 2014, with overall loans expanding at an annualized 7%. Investor housing credit has led the way at near 10%. Business credit is also up but remains subdued outside the mining sector. There has been some increase in price competition, especially in the rates on mortgages and large value loans, but this does not appear to have been accompanied by a drop in standards. Foreign banks, which account for about 15% of total business credit, have been pricing more aggressively.

Profitability has largely been driven by the fall in bad and doubtful debts, which dropped 17% in the latest half-year. Aggregate profit for the big four topped $14 billion in the latest half-year, up 13% on a year earlier. Net interest income was also up as strong growth in interest earning assets offset a small decline in net interest margins. The Banks' returns on equity, averaging around 15%, are high by global standards, reflecting both strong asset performance and a lower cost to income ratio than the large European and U.S. banks. With bad debt charges at historically low levels and costs low compared to the industry, the banks' profit growth is expected to moderate going forward.

The Australian Economy

The year to September was generally characterized by strong investor risk appetite, stable financial markets, and low volatility. These conditions were nurtured in part by highly expansionary monetary policies in the major economies and the ongoing stretch for yield by investors. As the third quarter ended, factors including continued slow global economic growth, the escalation of regional conflicts in the middle east and Ukraine, the end of the Federal Reserve Board's QE3 asset purchases, and the Ebola scare appeared to be pushing markets off balance, resulting in a rapid spike in overall market volatility in late September and October.

The Reserve Bank of Australia elected to leave its cash rate target at 2.5% at its October 7th meeting. The Aussie overnight target has now been held at that historic low for 15 consecutive months. In its media release, the Reserve Bank Board maintained its assertion that a "period of stability in interest rates" remains appropriate, a turn of phrase that economists have been watching closely. The implication is that Board members believe the overall economy needs low rates and a low dollar, and that Australian regulators will initially use prudential regulatory policy to achieve economic tightening in targeted sectors, such as the housing market, as opposed to the comparatively blunt instrument of policy rates.
The RBA release described the Australian dollar as "high by historical standards" in spite of having dropped 6.6% versus the US dollar in September, and 7.4% for the full quarter. Rising volatility, weak iron ore prices and weakness in the euro all contributed to the drop.

Australia's unemployment rate climbed from 5.9% in June to 6.0% in July and remained there through the quarter. 6.0% marks the highest rate since July 2003. While the economy gained about 22 thousand jobs over the quarter, September saw a decline of 30 thousand, a result 45 thousand worse than expected. Year-over-year employment growth was very soft, at 1.1%, while the number of full time jobs barely moved, up only 0.2% for the year. Leading indicators show a slight improvement in the jobs growth rate, however, to 1.5%.

As the fiscal year closed, monthly surveys continued to highlight Australians' disappointment in their near-term economic prospects. The Westpac Melbourne Institute Index of Consumer Sentiment rose 0.9% from 94.0 in September to 94.8 in October, marking the eighth consecutive month at below 100, a sign that pessimists outnumber optimists. Prior to March, the Index had spent 16 months above 100. The Index surveys attitudes about family finances, economic conditions, and whether now is a good time for a major purchase. National Australia Bank's September business survey turned in the lowest confidence reading since before last year's election. A soft operating environment, low forward orders, falling profits and lower employment expectations characterized business conditions.

Globally, the sluggish and uneven recovery continued to disappoint. After a weaker than expected first half, the International Monetary Fund's October World Economic Outlook revised the agency's global GDP growth projection to 3.3% for 2014, 0.4% lower than April's forecast. The forecast for 2015 is for a slight improvement, to 3.8%. The report cited increasing short-term risks including the current bumper crop of geopolitical issues, whose effects have thus far been largely confined to the regions involved, and the fear that investors have been mispricing risk, such that very low investor risk premiums and market volatility could rapidly reverse. Over the medium term, the report pointed to low potential growth in advanced economies, particularly as a result of high public and private debt, and a decline in the potential growth of emerging markets.

Capital transactions

On December 17, 2010, the Fund completed an initial public offering pursuant to the Prospectus dated November 29, 2010. $140,000,000 was raised through the issue of 14,000,000 Class A Units and $5,815,760 was raised through the issue of 581,576 Class F Units. The Class A Units were issued at $10.00 per Unit and incurred Agents' fees and issue expenses of $8,038,602 or $0.57 per Unit, for an opening Transactional NAV of $9.43 per Unit. The Class F Units were issued at $10.00 per Unit and incurred Agents' fees and issue expenses of $158,095 or $0.27 per Unit, for an opening Transactional NAV of $9.73 per Unit.

On January 13, 2011, the Agents exercised an over-allotment option in respect of 790,010 Class A Units, raising a further $7,900,100. Agents' fees were $436,840 or $0.55 per Unit.

During the year ended August 31, 2014, there were 14,796 Class F Units converted to 15,390 Class A Units for a total value of $151,686 (116,756 Class F Units were converted to 121,181 Class A Units for a total value of $1,183,697 during the year ended August 31, 2013). There were also redemptions of 2,072,885 Class A Units for net payment of $20,679,723 and redemptions of 2,000 Class F Units for net payment of $20,772 during the year ended August 31, 2014 (2,693,035 Class A Units were redeemed for $25,490,721 and 9,500 Class F Units were redeemed for $88,644 during the year ended August 31, 2013).

Net Assets

The net assets per unit is calculated as the value of the prepaid amount to the Counterparty under the Forward Agreement plus any other investments held by the Fund, plus the value of any gain or loss on the Forward Agreement, less any net liabilities of the Fund, divided by the number of units outstanding.

Since the Fund can at any time terminate the Forward Agreement with the Counterparty in exchange for the value of ACS Trust, the value of the Forward Agreement to the Fund is equal to the transactional value of ACS Trust less the value of the prepaid amount to the Counterparty under the Forward Agreement. On August 31, 2014, the value of the prepaid amount to the Counterparty under the Forward Agreement balance was $83,552,794 and the unrealized gain on the Forward Agreement balance was $27,301,869. Liabilities net of other assets in the Fund totalled $22,144,401, leaving net assets of $88,710,262. This amount is assigned to the Class A and Class F Unitholders using an allocation percentage that takes into consideration any class level specific expenses. On August 31, 2014, the GAAP Net Assets per Unit were $9.97 per Class A Unit and $10.38 per Class F Unit. On August 31, 2013, the value of the prepaid amount to the Counterparty under the Forward Agreement was $108,905,564 and the unrealized gain on the Forward Agreement balance was $21,427,046. Liabilities net of other assets in the Fund totalled $25,805,210, leaving net assets of $104,527,400. This amount is assigned to the Class A and Class F Unitholders using an allocation percentage that takes into consideration any class level specific expenses. On August 31, 2013, the GAAP Net Assets per Unit were $9.52 per Class A Unit and $9.90 per Class F Unit.

Market repurchases

The Trust Agreement provides that the Fund may, in its sole discretion, from time to time, purchase (in the open market or by invitation for tenders) Class A Units for cancellation subject to applicable law and stock exchange requirements, based on the Manager's assessment that such purchases are accretive to Unitholders, in all cases at a price per Class A Unit not exceeding the most recently calculated Net Asset Value per Class A Unit immediately prior to the date of any such purchase of Units.

The Fund did not purchase any Class A Units for cancellation during the years ended August 31, 2014 and 2013.

Distributions

The Fund does not have a fixed distribution policy but initially paid quarterly distributions of $0.15 per Class A Unit and Class F Unit respectively, representing a return of 6.0% per annum based on the initial offering price of $10.00 per Unit.

On July 23, 2013, the Fund decreased its quarterly distribution rate from $0.15 to $0.14 per Class A Unit and Class F Unit.

The Fund has made all its scheduled distributions during the year ended August 31, 2014, paying $0.56 per Class A Unit and Class F Unit respectively ($0.59 per Class A Unit and Class F Unit during the year ended August 31, 2013).

Recommendations or Reports by the Independent Review Committee

The Independent Review Committee of the Fund tabled no special reports and made no extraordinary material recommendations to management of the Fund during the year ended August 31, 2014.

Related Party Transactions

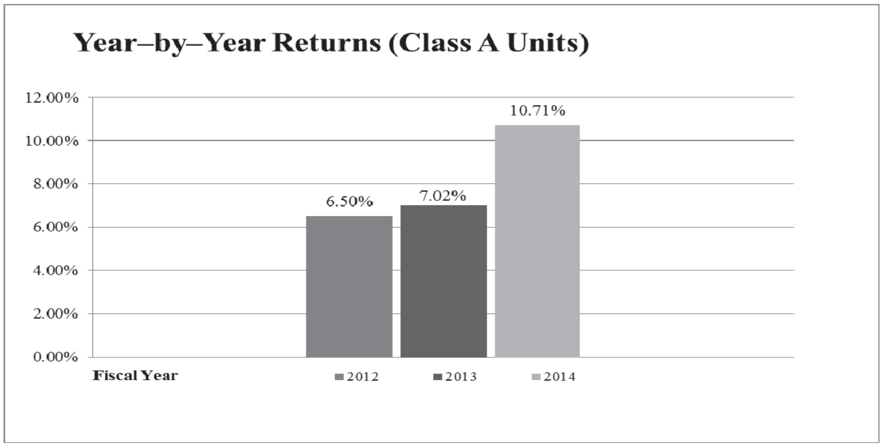
Management Fees

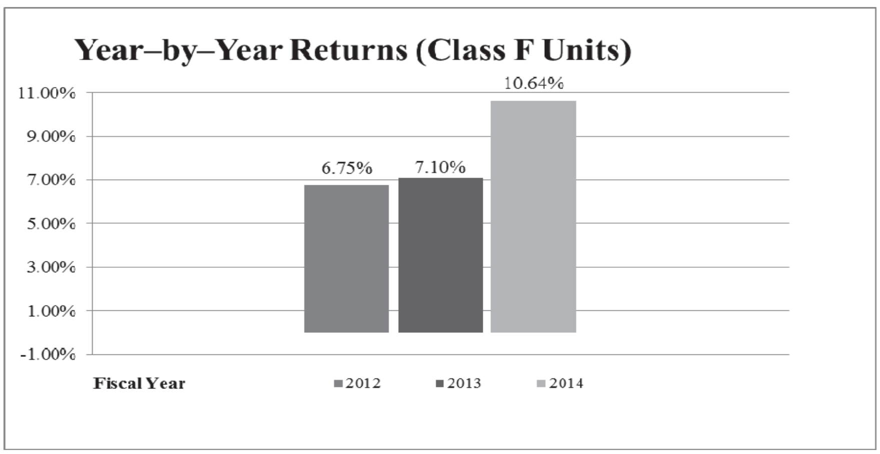
In consideration for management services and investment advice, the Manager receives a management fee from the Fund and the Trust equal in the aggregate to 0.50% per annum of the applicable Net Asset Value (0.20% from the Fund and 0.30% from the Trust), calculated daily and payable monthly in arrears, plus applicable taxes.

The management fees charged to the Fund and the Trust on a combined basis during the year ended August 31, 2014 were $516,287 plus applicable taxes ($642,851 plus applicable taxes during the year ended August 31, 2013).

Past Performance

The following bar charts and table shows the Fund's annual performance of the Class A Units and Class F Units by showing both annual returns by fiscal year and annualized compound returns from inception assuming all the distributions made by the Fund during the years shown were reinvested. The performance information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns or performance. The bar charts show, in percentage terms, how much an investment made on the first day of the period would have grown or decreased by the last day of the period. Past performance is not necessarily indicative of future performance.





Annual Compound Returns

	Past Year	Since Inception [(1)]
Based on NAV (Class A Units)	10.71%	7.98%
Based on share price (Class A Units)	12.66%	5.85%
Based on NAV (Class F Units)	10.64%	8.00%
Bank of America Merrill Lynch Australia Financial Index	6.71%	8.48%

(1) Annualized for the period from December 17, 2010 (commencement of operations) to August 31, 2014.

The Bank of America Merrill Lynch Australia Financial Index tracks the performance of investment grade debt of financial issuers publicly issued in the Australian domestic market and denominated in Australian dollars with at least one year remaining until maturity. The index includes securities issued by regional banks, non-bank financials and non-Australian banks that have issued securities in the domestic Australian market which the Fund does not have exposure to. The index total returns are presented in and calculated in Canadian dollars.

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to aid in understanding the Fund's financial performance since inception. This information is derived from the Fund's audited annual financial statements:

Class A Units:

The Fund's Net Assets per Class A Unit:

	August 31, 2014	August 31, 2013	August 31, 2012	August 31, 2011 (1)
Net Assets, beginning of period	**9.52**	**9.45**	**9.43**	**10.00**
Unit issue expense (2)	–	–	–	**(0.57)**
Increase (decrease) from operations:				
Total revenues	–	–	–	–
Total expenses	(0.10)	(0.10)	(0.09)	(0.06)
Realized gains (losses) for the period	0.62	0.41	0.15	–
Unrealized gains (losses) for the period	0.49	0.33	0.53	0.44
Total increase (decrease) from operations (3)	**1.01**	**0.64**	**0.59**	**0.38**
Distributions:				
From income (excluding dividends)	–	–	–	–
From dividends	–	–	–	–
From capital gains	–	–	–	–
Return of capital	(0.56)	(0.59)	(0.60)	(0.37)
Total Distributions (4)	**(0.56)**	**(0.59)**	**(0.60)**	**(0.37)**
Net Assets, end of period (5)	**9.97**	**9.52**	**9.45**	**9.43**

(1) Results for the period from December 17, 2010 (commencement of operations) to August 31, 2011.
(2) Issue expenses of $8,475,442 incurred in connection with the Class A Units issuance. The full amount of issue expenses was deducted from the unit capital for accounting purposes and is amortized over a period of five years for tax purposes.
(3) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase / decrease from operations is based on the weighted average number of 10,303,289 units outstanding as of August 31, 2014 (August 31, 2013 – 12,833,874 units).
(4) The percentages used to allocate distributions among income, dividends, capital gain and return on capital are based on estimates.
(5) This is not a reconciliation between the opening and the closing net assets per unit.

Ratios and Supplemental Data (Class A Units):

	August 31, 2014	August 31, 2013	August 31, 2012	August 31, 2011 (1)
Net asset value (000's)	85,694	101,483	125,015	140,549
Number of units outstanding	8,597,294	10,654,789	13,226,643	14,858,474
Base Management expense ratio (2) (3)	0.74%	0.72%	0.73%	0.71%
Issue expenses ratio (2) (3)	0.00%	0.00%	0.00%	6.07%
Interest expense ratio (2) (3)	0.24%	0.25%	0.29%	0.21%
Management expense ratio (annualized) (3)	0.98%	0.97%	1.02%	6.99%
Management expense ratio before waivers or absorptions (annualized) (3)	0.98%	0.97%	1.02%	6.99%
Portfolio turnover rate (4)	0.00%	0.00%	0.00%	1.36%
Trading expense ratio (5)	0.00%	0.00%	0.00%	0.00%
Net asset value per unit (6)	9.97	9.52	9.45	9.46
Closing market price (TSX)	9.64	9.06	9.14	9.42

(1) Results for the period from December 17, 2010 (commencement of operations) to August 31, 2011.
(2) A separate base management expense ratio has been presented to include the normal operating expenses and exclude the Issue expense ratio: representing all agents' fees and unit issue expenses and Interest expense ratio: representing cost of leverage.
(3) Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. Unit issue expenses, representing all Agents' fees and other offering expenses, which are one-time expenses, have not been annualized.
(4) The Fund's turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund's buying and selling all of the securities (including fixed income) in its portfolio once in the course of the year. There is not necessarily a relationship between turnover rate and the performance of the Fund.
(5) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.
(6) The net asset value (Transactional NAV) per unit is based on the last traded price for the day of the underlying portfolio.

Class F Units:

The Fund's Net Assets per Class F Unit:

	August 31, 2014	August 31, 2013	August 31, 2012	August 31, 2011 (1)
Net Assets, beginning of period	**9.90**	**9.80**	**9.73**	**10.00**
Unit issue expense (2)	**-**	–	–	**(0.29)**
Increase (decrease) from operations:				
Total revenues	-	–	–	–
Total expenses	(0.10)	(0.10)	(0.10)	(0.06)
Realized gains (losses) for the period	0.62	0.43	0.15	–
Unrealized gains (losses) for the period	0.49	0.46	0.61	0.42
Total increase (decrease) from operations (3)	**1.01**	**0.79**	**0.66**	**0.36**
Distributions:				
From income (excluding dividends)	–	–	–	–
From dividends	–	–	–	–
From capital gains	–	–	–	–
Return of capital	(0.56)	(0.59)	(0.60)	(0.37)
Total Distributions (4)	**(0.56)**	**(0.59)**	**(0.60)**	**(0.37)**
Net Assets, end of period (5)	**10.38**	**9.90**	**9.80**	**9.73**

(1) Results for the period from December 17, 2010 (commencement of operations) to August 31, 2011.
(2) Issue expenses of $158,095 incurred in connection with the Class F Units issuance. The full amount of issue expenses was deducted from the unit capital for accounting purposes and is amortized over a period of five years for tax purposes.
(3) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase / decrease from operations is based on the weighted average number of 301,144 units outstanding as of August 31, 2014 (August 31, 2013 – 340,786 units).
(4) The percentages used to allocate distributions among income, dividends, capital gain and return on capital are based on estimates
(5) This is not a reconciliation between the opening and the closing net assets per unit.

Ratios and Supplemental Data (Class F Units):

	August 31, 2014	August 31, 2013	August 31, 2012	August 31, 2011 (1)
Net asset value (000's)	3,017	3,045	4,249	5,027
Number of units outstanding	290,740	307,536	433,792	515,153
Base Management expense ratio (2) (3)	0.74%	0.75%	0.72%	0.71%
Issue expenses ratio (2) (3)	0.00%	0.00%	0.00%	2.98%
Interest expense ratio (2) (3)	0.24%	0.25%	0.29%	0.21%
Management expense ratio (annualized) (3)	0.99%	1.00%	1.01%	3.90%
Management expense ratio before waivers or absorptions (annualized) (3)	0.99%	1.00%	1.01%	3.90%
Portfolio turnover rate (4)	0.00%	0.00%	0.00%	1.36%
Trading expense ratio (5)	10.38	0.00%	0.00%	0.00%
Net asset value per unit (6)	N/A	9.90	9.80	9.76

(1) Results for the period from December 17, 2010 (commencement of operations) to August 31, 2011.
(2) A separate base management expense ratio has been presented to include the normal operating expenses and exclude the Issue expense ratio: representing all agents' fees and unit issue expenses and Interest expense ratio: representing cost of leverage.
(3) Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. Unit issue expenses, representing all Agents' fees and other offering expenses, which are one-time expenses, have not been annualized.
(4) The Fund's turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund's buying and selling all of the securities (including fixed income) in its portfolio once in the course of the year. There is not necessarily a relationship between turnover rate and the performance of the Fund.
(5) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.
(6) The net asset value (Transactional NAV) per unit is based on the last traded price for the day of the underlying portfolio.

Summary of Investment Portfolio as of August 31, 2014

The summary of investment portfolio may change due to ongoing portfolio transactions of the Fund. A quarterly update is available at www.astonhill.ca.

	Fair value CAD $	% of NAV
Portfolio by Category		
Equity Derivatives	110,854,663	120.0%
Cash	94,117	0.0%
Other liabilities net of other assets	(90,057)	0.0%
Leverage	(22,148,461)	-20.0%
Top 25 Holdings		
Prepaid forward agreement	110,854,663	120.0%
Cash	94,117	0.1%
Net asset value	**$ 88,710,262**	

The Fund obtained exposure to the performance of the portfolio held by ACS Trust through the Forward Agreement (see Investment Objectives and Strategies). The following is the summary of investment portfolio for ACS Trust as of August 31, 2014:

	Coupon Rate %	Maturity date	Fair value CAD $	% of NAV of ACS Trust
Portfolio by Category				
Foreign Corporate Bonds			109,552,107	98.8%
Foreign Preferred Stock (AUD) / Financials			3,199,089	2.9%
Other assets net of other liabilities			1,916,889	1.7%
Cash and Short term investments			299,504	0.3%
Foreign currency forward contracts			(4,112,925)	-3.7%
Top 25 Holdings				
CBA Capital Trust II (U.S. Dollars) *	6.02%	3/15/2016	29,380,621	26.5%
HSBC Bank Australia Ltd. (Australian Dollars) *	5.43%	11/25/2020	19,696,149	17.8%
National Capital Trust I (British Pounds) *	5.62%	12/17/2018	19,199,562	17.2%
National Australia Bank/New York (U.S. Dollars) *	8.00%	9/24/2016	18,803,650	17.0%
Westpac Capital Trust IV (U.S. Dollars) *	5.26%	3/31/2016	10,153,275	9.2%
National Capital Trust II (U.S. Dollars) *	5.49%	3/23/2015	5,069,695	4.6%
National Australia Bank Ltd. (floating rate) (Australian Dollars)	6.30%		3,199,089	2.9%
Commonwealth Bank of Australia (Australian Dollars)	6.50%	7/21/2015	2,930,052	2.6%
Westpac Banking Corporation (Australian Dollars)	7.25%	11/18/2016	2,206,089	2.0%
Westpac Banking Corporation (Australian Dollars)	6.50%	11/18/2016	2,113,013	1.9%
Cash			299,504	0.3%
Bought CAD 20,355,700, sold USD 19,000,000		03/10/2014	(318,900)	-0.3%
Bought CAD 18,660,510, sold USD 18,300,000		11/01/2016	(1,420,547)	-1.3%
Bought CAD 14,777,000, sold GBP 9,500,000		03/10/2014	(2,373,478)	-2.1%
*Maturity date is first call date.				
Net asset value			**$ 110,854,664**	

Management’s Responsibility for Financial Reporting

The accompanying financial statements to **Australian Banc Capital Securities Trust** (the “Fund”) and all of the information therein have been prepared by Aston Hill Capital Markets Inc. In its capacity as Manager of the Fund. The Fund’s Manager is responsible for all of the information and representations contained in these financial statements and other sections of the Annual Report. Management maintains appropriate process to ensure that relevant and reliable financial information is produced.

The financial statements have been prepared in accordance with the Canadian generally accepted accounting principles. The financial statements are not precise since they include certain amounts based on estimates and judgements. The Manager has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has ensured that the other financial information presented in this Annual Report is consistent with the financial statements.

The financial statements have been audited by PricewaterhouseCoopers LLP on behalf of the Unitholders. They have audited the financial statements in accordance with the Canadian generally accepted auditing standards to enable them to express to the Unitholders their opinion on the financial statements. Their report is set below.

W. Neil Murdoch
President and Chief Executive Officer
Aston Hill Capital Markets Inc.

Darren N. Cabral
Vice President and Chief Financial Officer
Aston Hill Capital Markets Inc.

Toronto, Canada
November 28, 2014

November 28, 2014

Independent Auditor's Report

To the Unitholders of
Australian Banc Capital Securities Trust (the Fund)

We have audited the accompanying financial statements of the Fund, which comprise the statement of investment portfolio as at August 31, 2014, the statements of net assets as at August 31, 2014 and August 31, 2013, and the statements of operations, changes in net assets, retained earnings (deficit) and contributed surplus, and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215, www.pwc.com/ca

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at August 31, 2014 and August 31, 2013 and the results of its operations, the changes in its net assets and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Australian Banc Capital Securities Trust

Financial Statements
August 31, 2014

Australian Banc Capital Securities Trust

Statements of Net Assets

As at August 31, 2014 and 2013

	2014	2013
	$	**$**
Assets		
Cash	94,117	10,202
Short-term investments	-	99,854
Prepaid Forward Agreement (notes 5 & 8)	110,854,663	130,332,610
Interest receivable	-	55
Prepaid expenses	6,193	8,293
	110,954,973	130,451,014
Liabilities		
Forward agreement leverage (notes 5 & 8)	22,148,461	25,800,667
Interest payable	17,599	21,263
Accounts payable and accrued liabilities	75,062	86,124
Management fees payable	3,589	15,560
	22,244,711	25,923,614
Net assets and unitholders' equity	88,710,262	104,527,400
Net Assets		
Class A Units	85,693,540	101,482,786
Class F Units	3,016,722	3,044,614
	88,710,262	104,527,400
Units issued and outstanding (note 6)		
Class A Units	8,597,294	10,654,789
Class F Units	290,740	307,536
Net assets per unit		
Class A Units	9.97	9.52
Class F Units	10.38	9.90
Unitholders' equity (note 6)		
Unit Capital	63,469,817	84,450,170
Contributed Surplus	-	-
Retained Earnings	25,240,445	20,077,230
Total Unitholders' equity	88,710,262	104,527,400

Approved on behalf of the Manager,
Aston Hill Capital Markets Inc.

W. Neil Murdoch

Director

Director

(See accompanying notes to financial statements)

Australian Banc Capital Securities Trust

Statements of Operations

For the years ended August 31, 2014 and 2013

	2014	2013
	$	$
Income		
Interest income	199	55
Expenses		
Forward fees (note 8)	396,718	485,124
Interest expense (note 5)	247,722	321,808
Management fees (note 10)	209,370	257,665
Harmonized sales tax	29,036	48,507
Custodial and other unitholder fees	32,056	30,253
Administration fees	31,395	26,681
Audit fees	21,618	23,438
TSX Sustaining fees	16,451	17,630
Transfer agent fees	10,155	14,888
Filing fees	12,409	13,308
Printing and mailing fees	9,855	8,601
Independent Review Committee fees	2,819	4,516
Registration fees	-	1,537
Legal fees	253	-
Other fees	10,204	-
	1,030,061	1,253,956
Investment (loss)	(1,029,862)	(1,253,901)
Realized gain (loss)		
Net realized gain (loss) on foreign exchange	101,805	37,219
Net realized gain on forward agreement (note 8)	6,434,926	5,395,922
	6,536,731	5,433,141
Unrealized gain (loss)		
Change in unrealized (loss) on foreign exchange	(649,785)	(2,103,480)
Change in unrealized gain on forward agreement (note 8)	5,874,823	6,445,566
	5,225,038	4,342,086
Net gain on investments	11,761,769	9,775,227
Increase in net assets from operations	10,731,907	8,521,326
Increase in net assets from operations		
Class A Units	10,418,735	8,251,392
Class F Units	313,172	269,934
Increase in net assets from operations per unit *		
Class A Units	1.01	0.64
Class F Units	1.04	0.79

* (based on weighted average number of units outstanding for the period)
(See accompanying notes to financial statements)

Australian Banc Capital Securities Trust

Statements of Changes in Net Assets, Retained Earnings and Contributed Surplus

For the years ended August 31, 2014 and 2013

	Class A		Class F		Total	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
	$	**$**	**$**	**$**	**$**	**$**
Increase in net assets from operations	10,418,735	8,251,392	313,172	269,934	10,731,907	8,521,326
Distributions to unitholders from: (note 9)						
Return of capital	(5,679,941)	(7,476,505)	(168,609)	(202,046)	(5,848,550)	(7,678,551)
	(5,679,941)	(7,476,505)	(168,609)	(202,046)	(5,848,550)	(7,678,551)
Unitholders' transactions (note 6)						
Class F units converted to Class A	151,683	1,183,697	(151,683)	(1,183,697)	-	-
Payments on redemption/cancellation of units	(20,679,723)	(25,490,721)	(20,772)	(88,644)	(20,700,495)	(25,579,365)
	(20,528,040)	(24,307,024)	(172,455)	(1,272,341)	(20,700,495)	(25,579,365)
Change in net assets during the year	(15,789,246)	(23,532,137)	(27,892)	(1,204,453)	(15,817,138)	(24,736,590)
Net assets - beginning of year	101,482,786	125,014,923	3,044,614	4,249,067	104,527,400	129,263,990
Net assets - end of year	85,693,540	101,482,786	3,016,722	3,044,614	88,710,262	104,527,400

Retained earnings, beginning of year	19,298,249	13,917,353	778,981	513,868	20,077,230	14,431,221
Increase in net assets from operations	10,418,735	8,251,392	313,172	269,934	10,731,907	8,521,326
Cost of shares redeemed/ repurchased in excess of average price per unit	(5,561,829)	(2,870,496)	(6,863)	(4,821)	(5,568,692)	(2,875,317)
Retained earnings, end of year	24,155,155	19,298,249	1,085,290	778,981	25,240,445	20,077,230
Contributed surplus, beginning of year	-	-	-	2,068	-	2,068
Cost of shares redeemed/ repurchased at less than (in excess of) average price per unit	-	-	-	(2,068)	-	(2,068)
Contributed surplus, end of year	-	-	-	-	-	-

(See accompanying notes to financial statements)

Australian Banc Capital Securities Trust

Statements of Cash Flows

For the years ended August 31, 2014 and 2013

	2014	2013
	$	$
Operating Activities		
Increase in net assets from operations	10,731,907	8,521,326
Items not affecting cash:		
Change in unrealized (gain) on forward agreement	(5,874,823)	(6,445,566)
Net realized (gain) on forward agreement	(6,434,926)	(5,395,922)
Changes in non-cash working capital:		
(Increase) decrease in prepaid expenses	2,100	596
(Increase) in interest receivable	55	(55)
(Decrease) in interest payable	(3,664)	(8,434)
(Decrease) in accounts payable and accrued liabilities	(11,062)	(7,907)
Increase (decrease) in management fees payable	(11,971)	2,563
Settlement (investment) in forward agreement	-	(380,628)
Pre-settlements received by the Fund from the Counterparty under the forward agreement, net of leverage	28,135,489	36,942,590
Net cash flow provided by operating activities	26,533,105	33,228,563
Financing Activities		
Payments on redemption/ cancellation of units	(20,700,495)	(25,579,365)
Distributions paid to unitholders	(5,848,550)	(7,678,551)
Net cash flow (used in) financing activities	(26,549,045)	(33,257,916)
Net (decrease) in cash and short-term investments	(15,940)	(29,353)
Cash and short-term investments - beginning of year	110,056	139,409
Cash and short-term investments - end of year	94,116	110,056
Supplementary Information		
Interest paid	251,386	330,242

Australian Banc Capital Securities Trust

Statement of Investment Portfolio

As at August 31, 2014

	% Rate	Maturity date	Number of shares / Par value	Average cost $	Fair value $	% of net assets
Forward agreement:						
Investments held in ACS Trust under the Forward Agreement with Bank of Montreal (note 8) *						
Fixed Income						
Fixed Rate Bonds						
CBA Capital Trust II (U.S. Dollars) **	6.02%	3/15/2016	25,850,000	26,063,999	29,380,621	33.1%
National Capital Trust I (British Pounds) **	5.62%	12/17/2018	10,078,000	14,745,432	19,199,562	21.6%
National Australia Bank/New York (U.S. Dollars) **	8.00%	9/24/2016	15,590,000	16,896,224	18,803,650	21.2%
Westpac Capital Trust IV (U.S. Dollars) **	5.26%	3/31/2016	9,000,000	8,824,625	10,153,275	11.4%
National Capital Trust II (U.S. Dollars) **	5.49%	3/23/2015	4,600,000	4,650,627	5,069,695	5.7%
Commonwealth Bank of Australia (Australian Dollars)	6.50%	7/21/2015	2,800,000	2,777,565	2,930,052	3.3%
Westpac Banking Corporation (Australian Dollars)	7.25%	11/18/2016	2,000,000	2,041,119	2,206,089	2.5%
Westpac Banking Corporation (Australian Dollars)	6.50%	11/9/2015	2,000,000	1,968,842	2,113,013	2.4%
Floating Rate Bonds						
HSBC Bank Australia Ltd. (Australian Dollars) **	5.43%	11/25/2020	19,200,000	19,229,095	19,696,149	22.2%
				97,197,528	109,552,107	123.4%
Total Fixed Income				97,197,528	109,552,107	123.4%
Foreign Preferred Stock						
Financials						
National Australia Bank Ltd. (floating rate) (Australian Dollars)	6.30%		39,000	3,209,395	3,199,089	3.6%
Total Foreign Preferred Stock				3,209,395	3,199,089	3.6%
Total investments				100,406,923	112,751,195	127.0%

	Maturity date	Contract price / rate $	Fair value $	Unrealized gain (loss) $	% of Net Assets
Foreign currency forward contracts					
Bought CAD 20,355,700, sold USD 19,000,000	10/3/2014	0.93340	19,318,900	(318,900)	-0.3%
Bought CAD 14,777,000, sold GBP 9,500,000	10/3/2014	0.64289	11,873,478	(2,373,478)	-2.1%
Bought CAD 18,660,510, sold USD 18,300,000	1/11/2016	0.98068	19,720,547	(1,420,547)	-1.3%
				(4,112,925)	-3.7%
Other assets net of other liabilities of ACS Trust				2,216,393	2.5%
Transactional net asset value of ACS Trust				110,854,663	125.8%
Prepaid forward agreement, before leverage				110,854,663	125.0%
Leverage				(22,148,461)	-25.0%
Prepared forward agreement, after leverage				88,706,202	100.0%
Other liabilities net of other assets of the Fund				4,060	0.0%
Net asset value of the Fund				88,710,262	100.0%

* Australian Banc Capital Securities Trust (the "Fund") obtained exposure to the performance of the portfolio held by ACS Trust through the Forward Agreement (see note 8); thus, the portfolio of ACS Trust is presented as part of this statement.

** Maturity date is first call date.

(See accompanying notes to financial statements)

1 Fund activities

Australian Banc Capital Securities Trust (the "Fund") is an investment fund established under the laws of the Province of Ontario and governed by the Trust Agreement (the "Trust Agreement") between Aston Hill Capital Markets Inc. (formerly "Connor, Clark & Lunn Capital Markets Inc.") (the "Manager") the Manager of the Fund and RBC Investor Services Trust (formerly "RBC Dexia Investor Services Trust") (the "Trustee") dated November 23, 2010. Scheduled Forward termination date is on January 29, 2016. The Fund's principal office is located at 77 King Street West, Suite 2110, Toronto, Ontario, M5K 1G8. The fiscal year-end of the Fund is August 31. The Fund is divided into units of two classes, Class A Units and Class F Units. The Class A Units are listed on the Toronto Stock Exchange (the "TSX") under the symbol AUZ.UN. The Class F Units are not listed on a stock exchange but may be converted into Class A Units on a weekly basis.

2 Investment objectives

The Fund's investment objectives as set out in the Prospectus dated November 29, 2010 are to:

(i) provide Unitholders with quarterly, tax-advantaged distributions consisting primarily of returns of capital; and

(ii) provide exposure to a portfolio consisting primarily of Capital Securities issued by the Big Four Australian Banks (Australia and New Zealand Banking Group, Commonwealth Bank of Australia, National Australia Bank and Westpac Banking Corporation).

In order to achieve the Fund's investment objectives, the Fund obtained exposure, in a tax-efficient manner, to the performance of a portfolio (the "Portfolio") held by ACS Trust (the "Trust"). Aston Hill Capital Markets Inc. (formerly "Connor, Clark & Lunn Capital Markets Inc.") (the "Portfolio Manager"), the Trust's portfolio manager, manages the Portfolio. The Portfolio consists primarily of Capital Securities issued by the Big Four Australian Banks and Australian subsidiaries of global banks. The Fund may also invest in other income securities, such as subordinated debt and preferred shares, issued by Australian banks and Australian subsidiaries of international banks.

3 Summary of significant accounting policies

Basis of presentation

These financial statements, prepared in accordance with the Canadian generally accepted accounting principles, include estimates and assumptions by management that affect the reported amounts of assets, liabilities, income and expenses during the reporting period. Actual results could differ from these estimates. The following is a summary of the significant accounting policies of the Fund.

Valuation of investments

Investments are deemed to be categorized as "held for trading" in accordance with Chartered Professional Accountant Canada (the "CPA Canada") ("Section 3855") and therefore, are recorded at fair value, established by the closing bid price for a security on the recognized exchange on which it is principally traded ("GAAP Net Assets" or "net assets"). Should the quoted value for a security, in the opinion of the Manager, be inaccurate, unreliable or not readily available, the fair value of the security is estimated based on valuation techniques. Fair value is determined by the Manager on the basis of the most recently reported information for the security, similar securities and the markets in which the security is active. Investment purchase and sale transactions are recorded as of the trade date and realized and unrealized gains and losses on investments are determined using average cost. Brokers' commissions and other transaction charges are immediately charged to net income in the period incurred. The Canadian Securities Administrators allow investment funds to calculate the daily net asset value for the purpose of processing unitholder transactions using the last traded price for the day as fair value of financial instruments traded in an active market, which is referred to as a "Transactional NAV" or "NAV". The Fund processes unitholder transactions using Transactional NAV. The Forward Agreement is priced at close and therefore equals transactional NAV.

There were no differences between the Transactional NAV and GAAP Net Assets as at August 31, 2014 and 2013.

Cash and short-term investments

Cash and short-term investments include cash and cash equivalents with maturities of less than 90 days from the date of acquisition.

Income recognition

Income from investments is recognized on an accrual basis. Interest income is accrued based on the number of days the investment is held during the period. All income, realized and unrealized net gains (losses) and transaction costs (apart from an insignificant amount of income arising from cash) are attributable to investments and derivatives, which are deemed held for trading. Realized gains (losses) are recorded on the transaction date they are incurred.

Expense recognition

Expenses that are directly attributable to the Fund are recorded on an accrual basis as incurred.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the end of the year. Purchases and sales of investments and income and expenses are translated into Canadian dollars at the exchange rate prevailing on the transaction dates.

Realized foreign currency gains and losses on monetary assets and liabilities other than investments denominated in foreign currencies are included in the Statements of Operations in "Net realized gain (loss) on foreign exchange". Unrealized on foreign currency gains and losses on monetary assets and liabilities other than investments denominated in foreign currencies are included in the Statements of Operations in "Change in unrealized gain on foreign exchange".

Foreign currency forward contracts

The Fund is exposed to the foreign currency contracts held in ACS Trust. The carrying value of the foreign currency forward contracts is the gain or loss that would be realized if the positions were closed out on the valuation date and is recorded as an unrealized gain or loss in ACS Trust. Upon closing of a contract, the gain or loss is recorded as net realized gain or loss on foreign currency forward contracts. This is reflected in the Fund through its exposure to the Forward Agreement and is recorded in the Statements of Operations as "Change in unrealized gain on forward agreement".

Initial fees and expenses

The issue expenses and Agents' fees incurred in connection with the initial unit issuance are deducted from the unit capital for accounting purposes.

Increase in net assets from operations per unit

This calculation is based on the increase in net assets from operations attributable to each class divided by the weighted average number of units of that class outstanding during the period.

Valuation of a class

A separate net assets per unit is calculated for each class. The net assets of a class are computed by calculating the class' proportionate share of the assets and liabilities to all classes, less the liabilities attributable only to that class. Expenses directly attributable to a class are charged to that class. Other expenses, income, realized and unrealized gains and losses are allocated proportionately to each class based upon the relative net assets of each class.

Designation of financial assets and liabilities

For the purpose of measuring and recognizing assets and liabilities, the following designations have been made: All investments, including short-term investments and derivatives, if any, are recognized at fair value and are designated as held for trading. Accrued interest and dividends receivable, amounts receivable for capital units sold and securities sold and other assets are designated as loans and receivables and reported at cost. Amounts payable for securities purchased and capital shares redeemed, other liabilities and accrued expenses are designated as other financial liabilities and reported at amortized cost.

Related party transactions

All related party transactions occur in the normal course of operations and are recorded at an amount of consideration agreed to by the parties.

International Financial Reporting Standards

The Canadian Accounting Standards Board (AcSB) of the Canadian Institute of Chartered Accountants (CICA) had originally planned to adopt International Financial Reporting Standards (IFRS), as published by the International Accounting Standards Board (IASB), effective January 1, 2011. Subsequently, the AcSB deferred the adoption of IFRS for investment companies, which include investment funds. Investment companies may continue to apply existing GAAP standards until fiscal years beginning on or after January 1, 2014.

The Manager is reviewing and developing its IFRS changeover plan by performing an impact assessment and identifying differences between existing Canadian GAAP and IFRS. Management has also been monitoring developments in IFRS and has been assessing the likely impacts on accounting policies, implementation decisions, internal controls, information systems and training.

In May 2011, the IASB issued IFRS 13 Fair Value Measurement, which defines fair value, sets out a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. If an asset or a liability measured at fair value has a bid price and an ask price, it requires valuation to be based on a price within the bid-ask spread that is most representative of fair value. The standard allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical means for fair value measurements within a bid-ask spread. This may result in the elimination of the differences between the transactional NAV and net assets at the financial statements reporting dates.

On July 24, 2013, the IASB voted tentatively to defer the mandatory adoption date of IFRS 9, Financial Instruments and that the mandatory effective date should be left open pending finalization of the project. Early adoption will continue to be permitted. This follows an agreement by the IASB and FASB to re-deliberate their proposals on the classification and measurement of financial instruments.

As the revised standard was scheduled to be completed in 2013, the Fund may now choose to adopt IAS 39, Financial Instruments: Recognition and Measurement instead, given the uncertainty about the timing and future development of IFRS 9. The Manager will decide the appropriate course of action for the Fund prior to completion of the August 2015 financial statements.

Other than the potential impact of IFRS 13 as described above, the Manager has currently not identified any changes that will impact net assets per Unit as a result of the changeover to IFRS. The impact of IFRS on other accounting policies and implementation decisions will mainly be in the areas of presentation and disclosures in the financial statements of the Funds. However, this present determination is subject to change resulting from the issuance of new standards or interpretations of existing standards.

4 Custodian

Pursuant to the Trust Agreement, RBC Investor Services Trust (formerly "RBC Dexia Investor Services Trust") (the "Custodian") also acts as custodian of the assets of the Fund. The Custodian carries out certain aspects of the day-to-day administration of the Fund, including calculating Transactional NAV, net income and net realized capital gains of the Fund and maintaining the books and records of the Fund. In consideration for these services, the Fund pays a fee to the Custodian. The Custodian is rated AA- by S&P as of August 31, 2014 and 2013.

5 Forward agreement leverage

The Fund's exposure to the securities in the Portfolio through the Forward Agreement may be increased to 20.0% of the levered notional amount (being the net asset value of ACS Trust) for the purposes of adding leverage to the Portfolio and such other short-term funding purposes as may be determined by the Portfolio Manager from time to time and in accordance with the Investment Strategy. The use of leverage has the potential to enhance or reduce returns.

The Fund entered into a letter of agreement (the "Credit Agreement") dated December 17, 2010, between the Manager and the Bank of Montreal (the "Counterparty" or "BMO"), to borrow amounts up to 20.0% of the levered notional amount as being part of the Forward Agreement (see note 8). This agreement will be terminated on the earlier of (i) January 22, 2016 and (ii) the date on which this transaction is pre-settled in full pursuant to the terms of the Credit Agreement. Amounts borrowed under the Credit Agreement are in U.S. dollars. In addition to the normal interest charges calculated on the amount of actual borrowing, the Fund is also charged a small fee of 0.25% on the difference between the maximum allowable borrowing amount and the amount of actual borrowing. If the borrowed amount exceeds 20.0% of the levered notional amount, the leverage amount will be reduced to ensure the leverage ratio is not greater than 20.0%.

During the year ended August 31, 2014, the Fund applied leverage in the range from 16.04% to 20.16% or U.S. $20,418,000 to U.S. $24,458,000. The Canadian equivalent is $21,742,093 to $27,518,931. (During the year ended August 31, 2013, the Fund applied leverage in the range from 17.51% to 20.15% or U.S. $24,458,000 to U.S. $31,208,000. The Canadian equivalent was $25,096,454 to $32,851,218.) The leverage factor as of August 31, 2014 was 20.00% and the borrowed balance was U.S. $20,418,000. The borrowed balance in Canadian dollars was $22,148,459 and the related interest expense was $247,722. (The leverage factor as of August 31, 2013 was 19.80% and the borrowed balance was U.S. $24,458,000 and the Canadian equivalent was $25,800,667. The related interest expense was $321,808.)

6 Unitholders' equity

The Fund is authorized to issue an unlimited number of redeemable, transferable units of Class A and Class F Units, each of which represents an equal, undivided interest in the net assets of the Fund, subject to the terms and conditions of the Trust Agreement. The Class F Units may be converted into Class A Units on a weekly basis. Each Unit entitles the holder to the same rights and obligations as a Unitholder and no Unitholder is entitled to any privilege, priority or preference in relation to any other holder of Units, subject to Unitholders of each class being entitled to distributions or redemptions based on the net asset value of the Units of a particular class.

On December 17, 2010, the Fund completed an initial public offering pursuant to the Prospectus dated November 29, 2010. $140,000,000 was raised through the issue of 14,000,000 Class A Units and $5,815,760 was raised through the issue of 581,576 Class F Units. The Class A Units were issued at $10.00 per Unit and incurred Agents' fees and issue expenses of $8,038,602 or $0.57 per Unit, for an opening Transactional NAV of $9.43 per Unit. The Class F Units were issued at $10.00 per Unit and incurred Agents' fees and issue expenses of $158,095 or $0.27 per Unit, for an opening Transactional NAV of $9.73 per Unit.

On January 13, 2011, the Agents exercised an over-allotment option in respect of 790,010 Class A Units, raising a further $7,900,100. Agents' fees were $436,840 or $0.55 per Unit.

The principal difference between the Class A Units and the Class F Units are that the Agents' fees payable with respect to the original issuance of units were lower for the Class F Units.

The Class A Units and Class F Units may be redeemed on an Annual Redemption Date, which is the second last business day of June each year, subject to certain conditions and in order to effect such a redemption, the Units must be surrendered by no later than 5:00 p.m. (Toronto time) on the last Business Day (any day except Saturday, Sunday, a statutory holiday in Toronto or any other day on which the TSX is not open for trading) of May in the year of redemption. Unitholders whose Units are redeemed on an Annual Redemption Date will receive a redemption price in an amount equal to 100% of the net asset value per Unit of the relevant class less any costs associated with the redemption, including brokerage costs and less any net realized capital gains to the Fund that are distributed to a Unitholder concurrently with the proceeds of disposition on redemption.

In addition to the annual redemption right, the Class A Units and Class F Units may also be redeemed on a Monthly Redemption Date, which is the second last Business Day of each month other than June, subject to certain conditions and in order to effect such a redemption, the Units must be surrendered by no later than 5:00 p.m. (Toronto time) on the date which is the last Business Day of the month preceding the monthly redemption date. Payment of the redemption price will be made on or before the redemption payment date, subject to the Manager's right to suspend redemptions in certain circumstances. Concurrently with the payment of the proceeds of redemption, the Fund may pay to the redeeming Unitholder a cash distribution in the amount of the net realized capital gains of the Fund incurred by it to fund the payment of the redemption price. Unitholders surrendering a Class A Unit for redemption will receive a redemption price equal to the lesser of (i) 95% of the Market Price of a Class A Unit, which is the weighted average trading price on the TSX (or such other stock exchange on which such security is listed), for 10 trading days immediately preceding the Monthly Redemption Date and (ii) 100% of the Closing Market Price of a Class A Unit, which is the closing price on the TSX (or such other stock exchange on which such security is listed) on the Monthly Redemption Date or, if there was no trade on the Monthly Redemption Date, the average of the last bid and the last asking prices on the Monthly Redemption Date less, in each case, any costs associated with the redemption, including brokerage costs, being the Monthly Redemption Amount. Unitholders surrendering a Class F Unit for redemption will receive an amount equal to the product of (i) the Monthly Redemption Amount and (ii) a fraction, the numerator of which is the most recently calculated net asset value per Class F Unit and the denominator of which is the most recently calculated net asset value per Class A Unit.

The Class F Units may be converted into Class A Units on a weekly basis. A holder of Class F Units may convert such Class F Units into Class A Units from time to time and it is expected that liquidity for the Class F Units will be obtained primarily by means of conversion into Class A Units. The Class F Units may be converted in any week on the first business day of such week by delivering a notice and surrendering such Class F Units by 3:00 p.m. (Toronto time) at least five Business Days prior to the applicable conversion date. For each Class F Unit so converted, a holder will receive that number of Class A Units equal to the net asset value per Class F Unit as of the close of trading on the Business Day immediately preceding the conversion date divided by the net asset value per Class A Unit as of the close of trading on the Business Day immediately preceding the conversion date. No fractions of Class A Units will be issued upon any conversion of Class F Units; any fractional amounts will be rounded down to the nearest whole number of Class A Units. A conversion of Class F Units into Class A Units will not constitute a disposition of the Class F Units for the purposes of the Tax Act.

During the year ended August 31, 2014, there were 14,796 Class F Units converted to 15,390 Class A Units for a total value of $151,683 (116,756 Class F Units were converted to 121,181 Class A Units for a total value of $1,183,697 during the year ended August 31, 2013). There were also redemptions of 2,072,885 Class A Units for net payment of $20,679,723 and redemptions of 2,000 Class F Units for net payment of $20,772 during the year ended August 31, 2014 (2,693,035 Class A Units were redeemed for $25,490,721 and 9,500 Class F Units were redeemed for $88,644 during the year ended August 31, 2013).

Changes in outstanding units during the years ended August 31, 2014 and 2013 are summarized as follows:

	Class A Units		Class F Units	
	August 31, 2014	August 31, 2013	August 31, 2014	August 31, 2013
Balance – beginning of period	10,654,789	13,226,643	307,536	433,792
Units redeemed	(2,072,885)	(2,693,035)	(2,000)	(9,500)
Class F Units converted to Class A Units	15,390	121,181	(14,796)	(116,756)
Balance – end of period	8,597,294	10,654,789	290,740	307,536

The Unit Capital dollar amount represents the face value of the Fund's Units minus any return on capital distributions and issue costs paid since December 17, 2010 (commencement of operations) to August 31, 2013. If the redemption price is lower than the average cost per unit, the difference is included in Contributed Surplus on the Statements of Net Assets. If the redemption price is greater than the average cost per unit, the difference is first charged to Contributed Surplus until the balance in Contributed Surplus is eliminated and the remaining amount is charged to Retained Earnings (Deficit).

The Fund considers capital to include all units issued and outstanding. The Fund manages its capital in accordance with the objectives outlined in Note 2.

7 Market Purchase Program

The Trust Agreement provides that the Fund may, in its sole discretion, from time to time, purchase (in the open market or by invitation for tenders) Class A Units for cancellation subject to applicable law and stock exchange requirements, based on the Manager's assessment that such purchases are accretive to Unitholders, in all cases at a price per Class A Unit not exceeding the most recently calculated net asset value per Class A Unit immediately prior to the date of any such purchase of Units.

The Fund did not purchase any Class A Units for cancellation during the years ended August 31, 2014 and 2013.

8 Forward Agreement

The Fund does not invest directly in the Trust; the Fund used the net proceeds of the initial public offering of its Class A Units and Class F Units to pre-pay its purchase obligations under a forward purchase and sale agreement (the "Forward Agreement") with BMO. Under the Forward Agreement, the Fund will receive, on or before January 22, 2016, a specified portfolio consisting of securities of Canadian public issuers that are "Canadian securities" for the purposes of the Tax Act ("Canadian Securities") in an amount equal to the net asset value of the Trust. Partial settlements under the Forward Agreement are intended to ensure that Unitholders have economic exposure to the distributions effected by the Trust. A fee of up to 0.35% per annum, calculated with reference to the net asset value of the Trust, is payable to BMO under the Forward Agreement. The Fund's exposure to the securities in the Portfolio through the Forward Agreement may be increased 20% through the use of leverage (Note 5). The Forward Agreement may be terminated by either party with 90 days notice.

Since the Fund can at any time terminate the Forward Agreement with the Counterparty in exchange for the value of ACS Trust, the value of the Forward Agreement to the Fund is equal to the transactional value of ACS Trust less value of forward is NAV of Trust. On August 31, 2014, the value of the prepaid amount to the Counterparty under the Forward Agreement balance was $83,552,794 and the unrealized gain on the Forward Agreement balance was $27,301,869. Liabilities (including leverage) net of other assets in the Fund totalled $22,144,401, leaving net assets of $88,710,262. This amount is assigned to the Class A and Class F Unitholders using an allocation percentage that takes into consideration any class level specific expenses. On August 31, 2014, the GAAP Net Assets per Unit were $9.97 per Class A Unit and $10.38 per Class F Unit. On August 31, 2013, the value of the prepaid amount to the Counterparty under the Forward Agreement was $108,905,564 and the unrealized gain on the Forward Agreement balance was $21,427,046. Liabilities net of other assets in the Fund totalled $25,805,210, leaving net assets of $104,527,400. This amount is assigned to the Class A and Class F Unitholders using an allocation percentage that takes into consideration any class level specific expenses. On August 31, 2013, the GAAP Net Assets per Unit were $9.52 per Class A Unit and $9.90 per Class F Unit distributions.

9 Distributions

The Fund does not have a fixed distribution policy but initially pays quarterly distributions of $0.15 per Class A Unit and Class F Unit respectively, representing a return of 6.0% per annum based on the initial offering price of $10.00 per Unit.

On July 23, 2013, the Fund announced a decrease in its quarterly distribution rate from $0.15 to $0.14 per Class A Unit and Class F Unit.

During the year ended August 31, 2014, the Fund paid total distributions of $0.56 per Class A Unit and Class F Unit respectively ($0.59 per Class A Unit and Class F Unit respectively during the year ended August 31, 2013).

10 Management fees

The Manager receives a management fee from the Fund and Trust equal in the aggregate to 0.50% per annum of the applicable net asset value (0.20% from the Fund and 0.30% from the Trust), calculated daily and payable monthly in arrears, plus applicable taxes.

The management fees charged to the Fund and the Trust on a combined basis during the year ended August 31, 2014 were $516,287 plus applicable taxes ($642,851 plus applicable taxes during the year ended August 31, 2013).

11 Income taxes

The Fund qualifies as a mutual fund trust under the provisions of the Income Tax Act (Canada) and accordingly, is subject to tax on its investment income, including net realized capital gains, for any calendar year in which its net investment income or sufficient net realized capital gains are not paid or payable to its unitholders as at the end of the calendar year. It is the intention of the Manager that all annual net investment income and sufficient net taxable capital gains will be distributed to unitholders on a calendar year basis such that Canadian income taxes payable by the Fund under present legislation will be eliminated. As a result thereof and of the deduction of expenses in computing its taxable income, no provisions for income taxes are made in the financial statements.

As at tax year end December 31, 2013, the Fund had net capital losses of $81,406 (December 31, 2012 – $81,406), which may be carried forward indefinitely to reduce future realized capital gains. The Fund had non-capital losses of $4,372,743 as at December 31, 2013 (December 31, 2012 – $2,965,932), which will expire within the next twenty years as shown in the following table:

Year of the realized non-capital tax loss	Amount of tax loss	Expiry date
2010	88,550	2030
2011	2,877,382	2031
2012	1,406,811	2032
Total	**4,372,743**	

12 Broker commission charges and soft dollar services

There were $nil broker commissions paid during the year ended August 31, 2014 and 2013 in connection with portfolio transactions. No contractual arrangements for soft dollar services exist in the broker commission charges.

13 Financial instruments

For the purposes of categorization in accordance with CPA Financial Instruments – Disclosures, cash is reported at fair value, while prepaid expenses and interest receivable are deemed to be loans and receivables and recorded at amortized cost. Similarly, bank indebtedness, interest payable, management fees payable and accounts payable and accrued liabilities are deemed to be financial liabilities and reported at amortized cost.

The Fund obtained exposure to the performance of the portfolio held by the Trust through the Forward Agreement (see note 8) and therefore, the following tables illustrate the classification of the Fund's and the Trust's financial instruments within the fair value hierarchy as at August 31, 2014 and 2013:

Assets at fair value as at August 31, 2014	Level 1	Level 2	Level 3	Total
Equities	3,199,089	–	–	3,199,089
Bonds	–	109,552,107	–	109,552,107
Total	3,199,089	109,552,107	–	112,751,195

Liabilities at fair value as at August 31, 2014	Level 1	Level 2	Level 3	Total
Foreign currency forward contracts	–	4,112,925	–	4,112,925
Total	–	4,112,925	–	4,112,925

Assets at fair value as at August 31, 2013	Level 1	Level 2	Level 3	Total
Equities	2,638,230	–	–	2,638,230
Bonds	–	126,560,149	–	126,560,149
Short-term investments	–	416,226	–	416,226
Total	**2,638,230**	**126,976,375**	**–**	**129,614,605**

Liabilities at fair value as at August 31, 2013	Level 1	Level 2	Level 3	Total
Foreign currency forward contracts	–	2,187,289	–	2,187,289
Total	–	**2,187,289**	–	**2,187,289**

Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3.

Equities: The Trust’s long equity positions are classified as Level 1 as the security held is actively traded.

Bonds and short-term and prepaid forward agreement: Bonds and Short-term investments are classified as Level 2 as they are valued using observable inputs, including interest rate curves, credit spreads and volatilities and are not actively traded. The prepaid forward agreement is a level 2 security as its value is based on observable input which is not actively traded.

Foreign currency forward contracts: Foreign currency forward contracts for which inputs, market rates and are observable and reliable or for which unobservable inputs are determined not to be significant to fair value, are classified as Level 2.

There were no transfers among the three levels during the years ended August 31, 2014 and 2013.

14 Financial instrument risk

The Fund obtained exposure to the performance of the portfolio held by the Trust through the Forward Agreement (see note 8) and therefore, the risks associated with an investment in the Fund's units are best defined in conjunction with the financial risks associated with an investment in the Trust's portfolio.

Interest rate risk

Interest rate risk arises on interest-bearing financial instruments held in the investment portfolio such as bonds and short-term notes. Certain equity instruments, such as preferred shares that pay fixed rate dividends, are also sensitive to changes in the level of prevailing market interest rates. Due to their sensitivity to interest rates, the preferred shares held by the Trust are included in the analysis of interest rate risk. The tables below summarize the combined exposure of the Fund and the Trust to interest rate risk and include the assets and liabilities of the Fund and the Trust at fair value.

August 31, 2014:

	Less than 1 year	1 - 3 years	3 - 5 years	> 5 years	Non-interest bearing	Total
Investments	7,999,747	62,656,649	19,199,562	19,696,149	(913,836)	**108,638,270**
Cash and cash equivalents	–	–	–	–	393,621	**393,621**
Other assets	–	–	–	–	1,967,270	**1,967,270**
Liabilities	(22,148,461)	–	–	–	(140,438)	**(22,288,899)**
Net assets	**(14,148,714)**	**62,656,649**	**19,199,562**	**19,696,149**	**1,306,617**	**88,710,262**

August 31, 2013:

	Less than 1 year	1 - 3 years	3 - 5 years	> 5 years	Non-interest bearing	Total
Investments	–	84,485,691	23,817,207	18,257,251	450,941	**127,011,090**
Cash and cash equivalents	416,226	–	–	–	768,926	**1,185,152**
Other assets	–	–	–	–	2,313,731	**2,313,731**
Liabilities	(25,800,667)	–	–	–	(181,906)	**(25,982,573)**
Net assets	**(30,422,468)**	**45,549,877**	**92,745,687**	**12,287,440**	**9,103,454**	**129,263,990**

As at August 31, 2014, had prevailing interest rates raised or lowered by 1.0%, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately $1,831,000 and ($1,779,000) (as at August 31, 2013, net assets would have decreased or increased, respectively, by approximately $2,774,000 and $2,873,000). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

Currency risk

Currency risk arises from financial instruments that are denominated in a currency other than the Canadian dollar ("CAD"), which is the Fund's functional currency. The Fund is exposed to the risk that the value of securities denominated in other currencies will fluctuate due to changes in exchange rates. The Statement of Investments identifies all securities denominated in foreign currencies.

The tables below summarize the Fund's combined exposure to foreign currencies held by the Fund and the Trust as of August 31, 2014 and 2013. Amounts shown are based on the carrying values of monetary and non-monetary assets as well as the underlying principal amounts of foreign currency derivatives such as forward contracts. It also includes amounts borrowed under the Credit Agreement and is shown under "monetary instruments". Other financial assets and liabilities denominated in foreign currencies do not expose the Fund to significant currency risk. The tables below summarize the significant exposure to foreign currencies and the approximate impact on net assets had the Canadian dollar weakened by 5% in relation to these currencies. If the Canadian dollar were to strengthen relative to these currencies, the opposite would occur. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

August 31, 2014:

	Monetary instruments $	Non-monetary instruments $	Derivative instruments $	Net Exposure $	% of Net Assets	Sensitivity (based on devaluation of CAD) $
Australian Dollar	27,212,036	3,199,089	-	30,411,125	34.3%	1,521,000
British Pound	19,199,562	-	(17,150,478)	1,653,172	1.9%	83,000
U.S. Dollar	41,003,012	-	(40,755,657)	899,197	1.0%	45,000
	87,414,610	3,199,089	(57,906,135)	32,968,182	37.2%	1,649,000

August 31, 2013:

	Monetary instruments $	Non-monetary instruments $	Derivative instruments $	Net Exposure $	% of Net Assets	Sensitivity (based on devaluation of CAD) $
Australian Dollar	32,550,290	2,638,230	–	35,188,520	33.7%	1,759,000
British Pound	18,283,935	–	(17,950,099)	333,836	0.3%	17,000
U.S. Dollar	51,009,124	–	(49,791,130)	1,217,994	1.2%	61,000
	101,843,349	2,638,230	(67,741,229)	36,740,350	35.2%	1,837,000

Credit risk

The Fund is exposed to the risk that a security issuer or counterparty will be unable to pay amounts in full when due. The Fund is exposed to the credit risk associated with the Counterparty. The possibility exists that the Counterparty will default on its obligations under the Forward Agreement. The Counterparty is rated A+ by S&P as of August 31, 2014 and 2013.

The fair value of debt and debt-like securities includes consideration of the credit worthiness of the debt issuer. The carrying amount of debt investments and unrealized gain on derivative instruments outstanding with counterparties represents the maximum credit risk exposure as at August 31, 2014 and 2013.

The tables below summarize the Fund's exposure to credit risk through its investment in the Trust as of August 31, 2014 and 2013. Amounts shown are based on the carrying value of debt investments and the unrealized gain on derivative instruments outstanding with counterparties.

Rating	August 31, 2014 (% of Net Assets)	August 31, 2013 (% of Net Assets)
AA-	8.1%	8.0%
A	22.2%	22.9%
BBB+	92.8%	90.6%
A-1+	0.0%	0.3%
A-2	0.0%	0.1%
Total	123.1%	121.9%

As at August 31, 2014 and 2013, no debt securities were contractually past due and no longer meeting interest payment obligations.

All transactions in listed securities are settled or paid for upon delivery using approved brokers. The risk of default is considered minimal as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

Liquidity risk

Liquidity risk is the risk of not being able to meet the Fund's cash requirements in a timely manner and includes the risk of not being able to liquidate assets at reasonable prices. This risk arises mainly from the Fund's exposure to daily cash redemptions from its market purchase program which is limited to certain conditions (see note 7) and from its bank indebtedness (see note 5). The Fund is also exposed to unlimited annual anniversary redemptions on June 30 of every year (see note 6); therefore, the Fund invests the majority of its assets in investments that can be readily disposed. The Fund also achieves liquidity through its ability to pre-settle the Forward Agreement. In addition, the Fund retains sufficient cash and cash equivalent positions to meet its daily cash requirements. All liabilities (other than bank indebtedness) are due within three months.

Other market risk

Other market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. The Manager moderates this risk through a careful selection of securities and other financial instruments within the parameters of the investment strategy. The maximum risk resulting from financial instruments is equivalent to their fair value. The Fund's equity instruments are susceptible to market price risk arising from uncertainties about future prices of the instruments.

If equity prices had increased or decreased by 10% on August 31, 2014, all other variables held constant, the net assets of the Fund would have increased or decreased, respectively, by approximately $319,909 (August 31, 2013 – $263,823). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

15 Federal Budget Announcement

On March 21, 2013, the Minister of Finance announced proposals in a federal budget that would treat the gain realized by a mutual fund under Forward Agreements such as the one entered into by the Fund as ordinary income rather than a capital gain, if the forward agreement was entered into or extended on or after March 21, 2013. On July 11, 2013, the Department of Finance announced proposed technical changes to the transitional rules related to character conversion transactions announced in the federal budget. One of the announced changes includes the extension of the transition period for short-term agreements. The extended grandfathered period allows investment funds, whose forward agreements were entered into prior to March 21, 2013 and the terms of which provide for settlement or are a part of series of agreements that provide for settlement prior to 2015, to extend their forward agreements until end of 2014. For longer-dated forward agreements, the grandfathering transitional period will not extend beyond March 21, 2018. Grandfathering is subject to certain growth rules with which the Fund intends to comply. The federal budget, part of Bill C-4, was enacted into law on December 12, 2013.

16 Comparative information

Certain comparative balances have been reclassified to meet the current year's presentation.